

## **BROWNFIELDS INVESTING**

### **FIELD OF THE INVENTION**

ins > The present invention relates to a system and method and financial vehicle for investing in Brownfields.

### **BACKGROUND INFORMATION**

For many years, contaminated properties have been considered a current and future liability to their owners (current and future), and to the communities in which they are located. The market value of real property is directly affected by contamination and pollution. Valuation of real property is negatively effected by risks that are not quantifiable in terms of time and/or money. Valuation affects decision making during cleanup of contaminated property, and, likewise, decision making during remediation affects valuation, of the contaminated property and surrounding properties. The result has been that many of these properties are idle and abandoned in spite of their potential value.

"Brownfields" generally includes real properties in a contaminated or stigmatized condition. Brownfields may include, for example, abandoned, idle or under-utilized sites, urban, rural, industrial or non-industrial real property where development, expansion or redevelopment is complicated by real or perceived contamination. In contrast, "Greenfields" are undeveloped properties located mainly in suburban or rural areas. Fear of contamination is one factor that may steer real estate development to Greenfields, with unintended but nonetheless undesirable consequences such as urban sprawl, habitat destruction or loss of land suitable for agriculture.

Conversely, redevelopment of Brownfields is expected to create economic opportunities through physical improvements, job creation, tax revenues and improved urban planning. Additionally, by redeveloping Brownfields, Greenfields, including, for example, agricultural land, may be preserved and further deterioration of urban cores can be minimized. There is also a substantial unmet need for private investment (e.g., debt, equity and hybrid investments) in Brownfields remediation. This is primarily due to the exposure (or fear of

exposure) by investors to environmental liability.

The Environmental Protection Agency's (the "EPA") Environmental Financial Advisory Board (the "EFAB") spend two years researching issues related to financing Brownfields remediation, and issued five reports. The EFAB's core conclusion, set forth in a published letter dated May 31, 1997, from Robert O. Lenna and John C. Wise to EPA Administrator Carol M. Browne, was "wide-scale and long-term success of Brownfields redevelopment must be sustainable in the private sector." However, there continues to be relatively few capital sources for these projects due to the perceived risk. The risk includes:

- (1) financial risk, either because the environmental risk is unknown or because it is difficult to measure; and
- (2) liability associated with environmental risk, including liability for past effects of contamination (lender liability) and liability of borrowers from noncompliance that could affect their ability to meet financial obligation and the value of the collateral.

There is public acknowledgment and support for the need for private investment in Brownfields remediation. The EPA has now attenuated previous, more burdensome requirements, and has developed risk-based criteria for cleanup to allow the cleanup levels to be based in part on the future use of land, which is directly related to the potential for exposure to contaminants of concern.

In a report dated December 1997, the EFAB stated the following:

In virtually every Brownfields project scenario, the absence of a viable redevelopment project results in the perpetuation of two environmentally undesirable trends: (1) urban decay (environmentally, and further deterioration of existing taxpayer-paid infrastructure, and lack of economic opportunity for nearby residents); and (2) destruction of "Greenfields" to build development that could locate on Brownfields sites.

In our view, those two undesirable trends are not sustainable in the long term as a matter of national environmental or economic policy. We believe that requiring clean-ups to meet appropriately-protective risk-based standards will both: (1) protect the public

health and the environment; and (2) help to avoid the perpetuation of those two environmentally undesirable trends.

In addition to risk-based cleanup criteria, public support for Brownfields remediation exists in the Taxpayer Relief Act of 1997. Under this Act, a taxpayer may be able to deduct qualified remediation expenses incurred to clean up properties in several targeted areas. Moreover, taxpayers meeting the requirements of the Taxpayer Relief Act of 1997 are eligible to fully deduct Brownfields cleanup costs in the year in which the costs are incurred, rather than capitalizing and amortizing the costs over several years.

Moreover, certain recent revisions to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) are aimed at protecting passive investors. In particular, CERCLA Section 101(20)(A) contains a secured creditor exemption which eliminates certain liability for lenders who hold indicia of ownership in a Brownfields facility primarily to protect their security interest in that facility, provided they do not participate in management of the facility.

Despite the widespread public acknowledgment of the need for large private investment in Brownfields remediation, and despite the public support for such private investment in the form of rational environmental regulation and tax incentives, there is no useful method or vehicle for large-scale, long-term investment in Brownfields remediation. Conventional private investment in remediation of Brownfields includes only small funds investing on a project-by-project basis, with the quantity of capital available being small in relation to the remediation and development cost of the project financed. Because the remediation costs of individual projects financed is often so large in relation to the type of funds available, the investment risks are large, for financing the cleanup phase, and the cost of capital, therefore, high and the success of the process may be dependent upon the market for the land and development subsequent to clean up, increasing the risk. Moreover, the legal and financing phases are long and expensive. Financial failure of a single project in such a financial model is a disaster for all of the investors. However, if the ultimate development of the property is also considered, the cost of remediation becomes economically feasible in relation to the long-term value.

Moreover, environmental remediation liability, i.e., the legal duties under applicable federal, state and local statutes and regulations regarding environmental liabilities, may attach not only to the owners of the Brownfields, but also to "operators." Operators may include, for example, lenders and others who participate in decision making regarding the Brownfields. Thus, lenders investing in properties needing remediation can themselves become liable for remediation costs if lenders take mortgages to secure their loans. This risk of direct exposure to environmental remediation liability further chills investor interest and increases the cost of privately-financed remediation of Brownfields. Thus, historically, only a small number of investors were able and willing to invest privately in projects involving Brownfields remediation and they expect high returns relative to the risk. This capital cost is another barrier to the feasibility of these projects.

Because of the traditional high risks associated with Brownfields remediation investment, few vehicles exist for such investment. Moreover, few managers have developed expertise sufficient to administer the few such investment vehicles that do exist. There are approximately 5000 registered professional investment advisors for management of a wide variety of investments in stocks, stock portfolios, bonds, and stock and bond funds. There are only a few dozen registered professional real estate investment managers, and only a handful of these managers control the majority of the market (75%). These managers offer very traditional pure equity, first mortgage and participating mortgage products not suited to the this type of investment. However, this investor base is the best source for long term capital.

With few sources of investment capital available for financing Brownfields remediation, Brownfields' owners must often rely on their own financial resources to provide the funds for remediation. These owners include most major industrial corporations, family owned businesses, government entities, farmers, developers and many others. This further constrains resources available to the ongoing business interests of these owners, and therefore, redevelopment is delayed indefinitely.

Moreover, real estate developers typically encounter substantial project delays with attendant costs because there is no single mode of financing that will cover all phases (e.g., acquisition,

entitlement, development and construction) of a project. Developers must first arrange financing for acquiring the property and developing plans and designs. The project then typically halts for weeks or months while the developer arranges construction financing. Near the end of the construction phase, the project may be effectively halted again while the developer seeks and arranges permanent financing or sells the project. All three stages of financing are typically provided by separate sources, and financing fees may be required in connection with each stage of financing. Thus, there is a substantial need for a single source of financing to address all stages of a real estate project to lower the cost of capital and facilitate faster completion of a projection. This will also make projects that are not feasible today become feasible including redevelopment of Brownfields.

Furthermore, the three stages of financing are typically carried as full debt on the developer's balance sheet. Carrying environmental project-related debt on the balance sheet reduces the developer's and/or owner's equity, and, therefore, reduces the developer's and/or owner's ability to borrow funds for new projects, expansion, or to support normal operations. Accordingly, there is a need for a method of financing real estate development without reducing a developer's equity or borrowing power ("off balance sheet" financing and/or investment).

### **SUMMARY**

The present invention responds to the need for private investment in projects involving Brownfields remediation/development/redevelopment. In accordance with an example embodiment of the present invention, a Brownfields investment vehicle (financial instrument), and a system and method for investing in Brownfields-related projects are provided that are capable of supporting all aspects of a Brownfields remediation/development/redevelopment project, while shielding investors from environmental liability.

In one example embodiment, a Brownfields investment fund is established in accordance with certain criteria. The Brownfields fund provides capital on a non-recourse basis through Brownfields Value Contracts ("BVC") to a number of approved "special purpose vehicles"

for specific Brownfields projects according to fund investment criteria determined by a fund manager . These "special purpose vehicles" meet technical and financial criteria established by a fund manager.

The present invention substantially reduces an investors risk in incurring environmental liability by providing that the Brownfields fund is completely passive with respect to the Brownfields project, taking no security or mortgage interest in the Brownfields property.

### **BRIEF DESCRIPTION OF THE DRAWINGS**

Fig. 1 shows an overview of an overall architecture of a system for Brownfields development investing according to an example embodiment of the present invention.

Fig. 2 shows an overview of criteria that the Brownfields fund, the special purpose vehicle and the Brownfields project may be required to meet, according to the example embodiment of the present invention.

Fig. 3 illustrates examples of general fund investment criteria 210 used by the fund manager in determining whether or not the Brownfields fund should make a BVC to a Brownfields project.

Fig. 4 illustrates examples of general project investment criteria 220 that the fund manager may require a particular Brownfields project to meet in order for the Brownfields fund to make a BVC therein.

Fig. 5 illustrates examples of technical project criteria which the Brownfields project may be required to meet in order to qualify for a capital investment from the Brownfields fund through a BVC.

Fig. 6 shows example technical criteria which the special purpose vehicle may be required to meet in order to be approved by a fund manager.

Fig. 7 illustrates examples of approved entity structures according to the example embodiment of the present invention.

Fig. 8 shows the overall architecture of a computer based system for Brownfields development investing.

Fig. 9 is a flowchart showing an example method for establishing a fund and for approving special purpose vehicles and their respective Brownfields process, according to an example embodiment of the present invention.

Fig. 10 shows an overview of cash flows associated with the present invention.

Fig. 11 is a flowchart illustrating the administration of cashflows in accordance with the present invention.

### **DETAILED DESCRIPTION**

**Overview:** Figure 1 shows an overview of the overall architecture of a system for Brownfields remediation, development and redevelopment investing according to an example embodiment of the present invention. As illustrated, a Brownfields investment fund 100 is established in which investors 105 invest (e.g., provide capital). In accordance with the example embodiment of the present invention, the Brownfields investment fund 100 may be any type of business organization created for financing Brownfields projects according to the present invention, including, but not limited to organizations such as a limited liability partnership, a limited liability company, a trust or other corporation.

The investors 105 may be, for example, parties who provide capital to the Brownfields fund for the purpose of earning a return on their capital through BVCs 112 made by the Brownfields fund. These investors 105 may be, for example, accredited investors under federal securities laws, qualified investors, sophisticated investors, ERISA investors, private placement investors, or any other type of private equity investor.

The Brownfields fund 100 makes, for example, non-recourse, participating capital investments or "Brownfields Value Contracts" ("BVC") 112 to a number "special purpose vehicles" 110, for specific Brownfields projects 120 according to fund investment criteria determined by a "fund manager" 115. In the example embodiment of the present invention, a BVC 112 may include, for example, a financial obligation resulting from application and compliance with specific criteria to create value in development or redevelopment of Brownfields and provides returns from that value to investors. For example, the BVC 112 may set forth terms and conditions such as: i) the amount of capital to be provided to a special purpose vehicle, such capital may be provided in a lump sum, or in installments; ii) details of an interest in future cashflows provided to the Brownfields fund by the special purpose vehicle, iii) performance requirements of a project, iv) reporting requirements, etc.

Each special purpose vehicle owns a respective real estate interest in one or more Brownfields projects, and, thus, undertakes some or all environmental remediation liability with respect to their respective Brownfields. These special purpose vehicles 110 may include, for example, the original owner of the Brownfields and/or another entity to whom the original owner has transferred ownership. Each of the special purpose vehicles 110 and their respective Brownfields projects 120 may be qualified by the fund 100 according to criteria as determined by the fund manager 115. Brownfields projects may include, for example, environmental remediation, and one or more of the following: land planning, zoning, construction and infrastructure construction (e.g., streets, sewers, lighting, architectural planning and design, establishing real estate property access from existing highways to the project), communication infrastructure constructions (e.g., telephone, fiber optic access, satellite access and cable access), demolition and remodel.

The fund manager 115 may be, for example, a business organization, individual or group of individuals which act as a money manager for the Brownfields fund 100. The fund manager 115 may have authority to establish criteria for qualifying a particular special purpose vehicle and associated Brownfields project 120 for a BVC, and may solicit money from investors 105 in order to fund these BVCs. The fund manager 115 may, for example, administrate and report on the operations of the Brownfields fund 100.



In accordance with the present invention, the risk of environmental remediation liability for the investors 105 is greatly reduced since the investors 105 are completely passive with respect to the ownership and operations of the Brownfields. The investors 105, for example, have no ownership interest in the Brownfields, have no security interest or mortgage interest in the Brownfields, and, thus, have no obligations of environmental remediation. Instead, upon providing a BVC to a special purpose vehicle 110 for a particular Brownfields project 120, the Brownfields fund 100 may acquire a financial interest in future cash flows from the Brownfields project 120.

**Criteria Overview:** As noted above, the fund manager 115 may set forth various criteria for approving BVCs to special purpose vehicles for Brownfields projects. As shown in Fig. 2, the fund manager 115 may define general fund investment criteria 210 for the Brownfields fund itself. Furthermore, the fund manager 115 may set forth general project criteria for a Brownfields project 220, technical criteria for the Brownfields project 230, technical criteria for the special purpose vehicle 240 associated with the Brownfields project, and entity structure criteria 250. Assuming the fund manager believes that the Brownfields fund itself, the particular special purpose vehicle in issue and the Brownfields project in issue meet all of the required criteria, the fund manager may recommend BVC approval.

In the example embodiment, an Independent Investment Committee 250 may be required to concur with the recommendation of the fund manager 115 before a capital investment is finally approved. The Independent Investment Committee 250 may be comprised of persons having expertise in areas of environmental engineering, environmental law, real estate development, real estate development project feasibility analysis, real estate finance and real estate investment fund analysis. The member of the Independent Investment Committee typically should have no interest in the fund or in any entity any way involved in investments reviewed by the Committee.

**General Fund Investment Criteria:** Fig. 3 illustrates examples of general fund investment criteria 210 used by the fund manager in determining whether or not the Brownfields fund should make an investment in any BVC. As shown in element 305, in accordance with the

example embodiment of the present invention, the Brownfields fund may invest in BVCs only after receiving a minimum level of investment into the fund. In effect, the Brownfields fund must have a certain amount of capital available with which to invest in BVCs.

Additionally, the Brownfields fund must invest in more than one Brownfields project and more than one BVC(element 310). In an alternative embodiment of the present invention, the Brownfields fund may invest in only one Brownfields project, and one or more BVCs.

Also, the overall investment in the Brownfields fund should be large relative to the size of the BVCs in which the fund invests (element 315). For example, the Brownfields fund may be required to manage between \$500 million to \$1 billion dollars worth of money, securities, and other assets. A typical BVC may be worth, for example, between \$5 million dollars and \$50 million dollars. Larger and smaller projects are, of course, possible.

Moreover, the duration of the Brownfields fund, itself, must be long-term relative to the duration of the BVCs in which the fund invests (element 320). For example, the Brownfields fund may have a duration of three to ten years, while typical BVCs may have durations of 12 months to 120 months.

Each of the criteria 305, 310, 315 and 320 are established to ensure that the Brownfields fund adequately spreads its financial risk.

Additionally, in accordance with the present invention, the investors in the Brownfields fund must be completely passive with respect to all of the Brownfields projects in which the Brownfields fund invests through a BVC (element 325). Neither the investors, nor the Brownfields fund itself should take any ownership interest in the Brownfields. For example, neither the investors nor the Brownfields fund should take a security interest or mortgage interest in the Brownfields. Accordingly, the risk of the investors of the Brownfields fund incurring environmental remediation liability is greatly reduced, if not eliminated.

Finally, the possibility of leveraging the fund may be a factor (element 330) to reduce the cost

of the BVC.

**General Project Investment Criteria:** Fig. 4 illustrates examples of general project investment criteria 220 that the fund manager may require a particular Brownfields project to meet in order for the Brownfields fund to make a BVC. In accordance with the example embodiment of the present invention, the duration of the financing (i.e., the duration of the BVC) for a particular Brownfields project must be less than a predetermined authorized duration (element 405). Additionally, the target rate of return for the Brownfields fund must be greater than a predetermined minimum (element 410). Furthermore, the investment or capital investment amount to the particular BVC must be greater than a predetermined minimum amount (element 415) and less than a predetermined maximum amount (element 420).

**Technical Project Criteria:** Fig. 5 illustrates examples of technical project criteria 230 which the Brownfields project may be required to meet in order to qualify for a capital investment from the Brownfields fund. In accordance with the example embodiment of the present invention, the cash flow participation in the particular BVC should be at a predetermined level (element 501). For example, the capital investment made by the Brownfields fund to the special purpose vehicle for the particular Brownfields project may be exchanged for future cash flow of the Brownfields project. That is, the Brownfields fund may be entitled to a share of the revenue of the Brownfields project until the capital investment (plus interest or return) is recovered, in accordance with the terms of the BVC.

The fund manager may also set forth the types of real estate development approved for the Brownfields project (element 502). For example, the building of an industrial complex may be an approved type of Brownfields project, while the building of an apartment building may not be. The fund manager may revise criteria from time to time in response to changes in various markets.

As shown, the Brownfields project may be required to meet certain geographic standards (element 505). For example, in an example embodiment of the present invention, the

Brownfields may be required to be located in one of a number of acceptable states or counties in the United States. Moreover, demand for the proposed development project in the particular geographic area should be adequate.

Additionally, the type of contamination associated with the Brownfields may be required to be in one of a number of contamination categories (element 510). For example, in one embodiment of the present invention, contamination due to an oil spill or leakage may be within an "approved" category, while contamination due to nuclear waste may not be.

Also, the fund manager may set forth certain standard for risk management in association with the Brownfields project (element 520). For example, the special purpose vehicle may be required to assure that adequate and trained staff qualified to perform the proposed development of the Brownfields project will be used and risk management is appropriate (e.g., insurance, indemnities).

Finally, the fund manager may require evaluation of all available government subsidies, grants, etc (element 525).

**Technical Criteria For Special Purpose Vehicles:** Figure 6 shows example technical criteria which the special purpose vehicle (240) may be required to meet in order to be approved by a fund manager. The special purpose vehicle may be required to have a certain level of expertise in real estate development (element 605). For example, the special purpose vehicle may be required to have been involved with at least a specified number of large-scale real estate development projects. For example, the special purpose vehicle may be required to have principals with minimum net worth requirements and references.

Additionally, the special purpose vehicle may be required to have a certain minimum level of expertise in pollution remediation (element 610). Moreover, the special purpose vehicle may be required to have expertise in environment risk management (element 615). Finally, the special purpose vehicle may be required to have a certain expertise in land use planning (element 620). In one embodiment of the present invention, criteria 610, 615 and 620 may be

met by the special purpose vehicle by, for example, retaining, or consulting or partnering with a technical consultant in these areas.

The fund manager may also evaluate the financial strength of the special purpose vehicle to meet contractual obligations (element 625)

**Approved Entity Structures:** As noted above, the fund manager may also establish approved entity structures for the special purpose vehicle (element 250). Fig. 7 illustrates examples of approved entity structures. Approved entity structures may include, for example, a joint venture between an original owner of the Brownfields and a real estate developer (element 705), a limited liability company, partnership, trust or corporation formed and owned by a real estate developer (element 710), a limited liability company, partnership, trust or corporation formed and owned by an original owner, a real estate developer and other partners (element 715), and a limited liability company, partnership, trust or corporation formed and owned by a developer and partners to purchase Brownfields over time with fixed installments, contingent installments or fixed installments in combination with cash flow participation (element 720). Other entity structures are, of course, possible. Moreover, the original owner of the Brownfields may be so anxious to remove the Brownfields from its balance sheet that the original owner actually pays another entity, e.g., a special purpose vehicle, to accept title to the Brownfields.

**Computer Based System:** Fig. 8 illustrates a computer based system for Brownfields investing in accordance with an example embodiment of the present invention. Information concerning the Brownfields fund may be stored, managed and updated at a central site 800. The central site 800 may include, for example, one or a number of server systems 801 (each including, for example, a processor, memory, and various peripheral devices). The central site 800 may also include a number of databases (stored on storage devices) 802 coupled to one or more of the server systems 801.

The fund manager may access and update the Brownfields fund information using, for example, a fund manager workstation 803 coupled to the central site 800 via a network 804.

The network may include, for example, a telecommunications network, a local area network, a wide area network, the Internet, etc. Of course, it is also possible that the fund manager workstation is directly coupled to the central site 800. The fund manager workstation 803 may be required to log into one of the server systems 801 in order to access and update information.

Investors (current and potential) may request or access information concerning the Brownfields fund, review and update investor account information, authorize fund transfers into the Brownfields fund, etc., using investor workstations 805 coupled to the central site 800 via a network 806. The network 806 may include, for example, the Internet, and investor workstations 805 may be provided secure links to the central site for some types of transactions. Other networks such as a telecommunications network, a local area network, a wide area network, etc., are, of course possible. Each investor workstation 805 may be required to log into one of the servers 801 at the central site 800 in order to access and/or update information.

Special purpose vehicles may also request or access information concerning the Brownfields fund, review and update special purpose vehicle account information, transmit Brownfields project proposals, using, for example, SPV workstations 807 coupled to the central site 800 via a network 806. Each SPV workstation 807 may be required to log into one of the server systems 801 in order to access and/or update information.

**Fund Formation/Approval Process:** Fig. 9 is a flowchart showing an example method for establishing a fund and for approving special purpose vehicles and their respective Brownfields projects. This method may be partially or completely performed using the computer based system shown in Fig. 8. The method may also be carried out without any computer based system.

In accordance with an example embodiment of the present invention, initial fund guidelines are established for the Brownfields fund in accordance with the general fund investment criteria described above (step 905). These guidelines may be input, for example, from the

fund manager terminal and stored in databases at the central site.

Once the guidelines are established, the Brownfields fund begins accepting funds (i.e., investments or capital) from investors (step 910). In accordance with the present invention, the investors may transmit funds to the Brownfields fund via, for example, mail, electronic funds transfer, hand delivery, or may authorize a funds transfer via an investor workstation or via a telephone.

As soon as the investment level is high enough (steps 915, 910), the Brownfields fund determines whether or not prospective special purpose vehicles meet the technical criteria (step 920), as discussed above in connection with Fig. 6. Also, the fund manager determines whether or not the special purpose vehicle is in the form of one of the pre-approved entity structures (as described in connection with Fig. 7, for example) (step 925). A list of the pre-approved structures may be stored at the central site in, for example, one of the databases. The fund manager may use an expert system or another computer-based system to compare the details of the form of the special purpose vehicle (provided by the special purpose vehicle in connection with the proposal) with the pre-approved entity structure. Alternatively, the fund manager may manually perform the comparison. If the special purpose vehicle is not in the form of a pre-approved entity structure, the fund manager may need to review details of the structure of the special purpose vehicle to determine whether or not the special purpose vehicle is in an acceptable form (steps 926, 927). (In an alternative embodiment of the present invention, the pre-determined entity structures are merely suggested structures.)

Assuming the special purpose vehicle meets the technical criteria (for example, as described in connection with Fig. 6) and the form of the special purpose vehicle is determined to be acceptable, the Brownfields fund receives a project proposal from the special purpose vehicle (step 930). A Brownfields project proposal may be transmitted to the fund manager via, for example, mail, facsimile, hand delivery, etc., or may be electronically transmitted to the central site via an SPV workstation. Details of the proposal may be manually or automatically entered and stored at the central site.

In the example embodiment of the present invention, once a particular proposal is received, Next, the fund manager determines whether or not the proposed Brownfields project meets the general project investment criteria, for example, as described in connection with Fig. 4 (step 940). If not, the proposal is rejected (step 975). If the proposed Brownfields project does meet the general project investment criteria, the fund manager determines whether or not the proposed Brownfields project meets the technical project criteria, as described in connection with Fig. 5 (step 945). If either of these criteria are not met, the proposal is rejected (step 975).

According to the present invention, the fund manager may perform steps 920, 940 and 945 using a computer rules-based system (other systems are possible). For example, each of the general project criteria, technical project criteria and technical criteria for the special purpose vehicle may be stored in the system in the form of a rule. Using the rules-based system, the details of the project proposal may be compared to the stored rules. Thus, steps 920, 940 and 945 may be performed automatically at the central site. Alternatively, the criteria may be stored in databases, and printed out by the fund manager. The fund manager could then manually compare the details of the project proposal to the criteria.

If all of the above-described criteria are met, the fund manager recommends approval of a capital investment to the special purpose vehicle for the Brownfields project (step 955). The proposal is then reviewed by the Independent Investment Committee (960) for final approval. The Independent Investment Committee may review the proposal as compared to the same criteria used by the fund manager, or may review the proposal in terms as compared to other criteria.

Finally, if the Independent Investment Committee approves the proposal (step 965), the special purpose vehicle and proposed Brownfields project is finally approved (step 970), thus the Brownfields fund provides a capital investment to the special purpose vehicle for the proposed Brownfields project through the terms of a BVC. Otherwise, the proposal is rejected (step 975). An indication that the capital investment has been approved or rejected may be transmitted to the special purpose vehicle electronically by the central site.



Alternatively, the fund manager or the Independent Investment Committee may provide the indication via the telephone or mail.

**Cashflow Overview:** Fig. 10 shows an overview of cash flows associated with the present invention. As shown, each Brownfields project 120 may include two sources of cash flows. In particular, both the remediation phase 1010 (i.e., the clean-up) of the Brownfields project 120 and the development/redevelopment (e.g., the actual construction project) may each generate a cash flow for the special purpose vehicle 110.

According to the example embodiment of the present invention, each special purpose vehicle 110 is required under the terms of, for example, the Brownfields Value Contract with the Brownfields fund 100, to pay to the Brownfields fund 100 a certain share of the special purpose vehicles's (future) cash flow. Thus, a cash flow to the Brownfields fund 100 is generated once the special purpose vehicle's cash flow is realized.

Moreover, according to the example embodiment, each investor 105 is entitled, under the terms of, for example, an Investor Investment Contract, to a certain portion of the cash flow received by the Brownfields fund 100.

**Cashflow Administration:** Fig. 11 is a flowchart illustrating the administration of cashflows in accordance with the present invention. The administration may be performed using the computer based system shown in Fig. 1.

Initially, data related to each BVC are received and stored at, for example, in a data base at the central site (step 1110). The data may include an identification of the special purpose vehicle, ownership distribution requirements, cash flow requirements, equity contributions and performance requirements. Additionally, data related to each investor and investment contract may be received and stored in the data base at the central site (step 1120). For example, an identification and address of each investor, as well as an indication of each investors total investment, terms of the investment and/or any investment agreements.

Next, as a Brownfields project progresses, each special purpose vehicle transmits to the central site an indication of the special purpose vehicle's actual cash flow in connection with the Brownfields project (step 1130). This indication may be transmitted electronically, or may be, for example, hand delivered, delivered by mail or deposited into a bank lockbox system and subsequently entered into a database at the central site.

A determination is then made as to whether each of the Brownfields projects has met its performance requirements (step 1140). This determination can be made, for example, by comparing the performance requirements of each Brownfields project to the actual cash flow from the special purpose vehicle associated therewith.

The total cash flow to the Brownfields fund can then be determined (step 1150) by, for example, summing the actual cash flow from each special purpose vehicle. Additionally, the portion of the total fund cash flow to which each investor is entitled can be determined as a function of the data stored in connection with the Investor Investment Contracts (step 1160).

Finally, reports can be generated at the central site for distribution to the investors (step 1160), showing, for example, the performance of the Brownfields fund, and possibly each Brownfields project and/or special purpose vehicle. Additionally, each investor may be paid (either electronically or otherwise) a respective share of the total cash flow (i.e., a return on investment) in accordance with the terms of the Investor's Investment Contract.